

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-02 H-02 PA-02 PRS-01 USIA-15 /100 W

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R 151100Z APR 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 5361

INFO AMEMBASSY BERN

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AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS UNN

UNCLAS VIENNA 3171

E.O. 11652: N/A

TAGS: EFIN, AU

SUBJECT: GOA ANNOUNCES MEASURES TO STIMULATE INVESTMENT AND EXPORTS

PASS TREASURY, FRB

REF: (A) VIENNA'S A-137; (B) VIENNA'S 3095

SUMMARY

SPECIAL CABINET SESSION LAST WEEK AGREED ON AS 12 BILLION (\$800 MILLION) PROGRAM TO STIMULATE PUBLIC AND PRIVATE INVESTMENTS, AS WELL AS EXPORTS. MEASURES TO BE WORKED OUT IN MORE DETAIL AFTER DISCUSSIONS WITH KEY GROUPS. PROGRAM BASICALLY TO BE FINANCED THROUGH FEDERAL BUDGET, ERP FUND AND BANK RESOURCES. END SUMMARY

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1. WITHIN FEDERAL AREA, AS 4.5 BILLION REGULAR BUDGET FUNDS FROZEN UNDER STABILIZATION PROGRAM ARE TO BE

UNBLOCKED, AND ADDITIONAL AS 2.2 BILLION TO BE RELEASED FROM CONTINGENT BUDGET. FUNDS TO BE CHanneled MAINLY INTO LIGHT AND HEAVY ELECTRICAL INDUSTRY, VEHICLE AND HEAVY MACHINERY INDUSTRIES, FEDERAL CONSTRUCTION PROJECTS AND WATER CONTROL SECTOR.

2. TO STIMULATE SLACKENING PRIVATE INVESTMENT, E.G. IN RESIDENTIAL CONSTRUCTION, TEXTILE INDUSTRY, ETC., AN AGGREGATE AMOUNT OF ABOUT AS 5 BILLION BANK CREDITS AT PREFERENTIAL INTEREST RATE WILL BE MADE AVAILABLE. FOR THIS PURPOSE ABOUT AS 1.5 BILLION ERP FUNDS BLOCKED SINCE 1972 UNDER THE GOA'S COMPREHENSIVE STABILIZATION PROGRAM ARE TO BE RELEASED AND SUPPLEMENTED BY AS 3.5 BILLION CREDITS AVAILABLE FROM BANKS' UNUTILIZED LEADING RESOURCES. BY THE MIX OF ERP FUNDS CARRYING 5 PERCENT INTEREST WITH REGULAR BANK FUNDS AT ABOUT 10 PERCENT, CREDITS WILL BE AVAILABLE TO INVESTORS AT ABOUT 7.5 PERCENT PER ANNUM. THIS FACILITY REPORTEDLY WILL BE AVAILABLE ONLY FOR A LIMITED PERIOD, PROBABLY THROUGH THE END OF 1975.

3. ADDITIONAL AS 1 BILLION WILL BE DEVOTED TO AS YET UNSPECIFIED IMPORVEMENT OF EXPORT PROMOTION FACILITIES.

4. IN COMMENTS TO PRESS, CHANCELLOR KREISKY AND FINANCE MINISTER ANDROSCH EMPHASIZED THAT ABOVE PROGRAM CONSTITUTES PRECAUTIONARY STEP AIMED AT MAINTAINING OVERALL ECONOMIC STABILITY, I.E. PRESERVATION OF CURRENT HIGH LEVEL OF EMPLOYMENT WITHOUT NEGLECTING ANTI-INFLATIONARY STABILIZATION EFFORTS. KREISKY SAID PROGRAM IS DESIGNED TO AVERT DEVELOPMENT OF MORE SERIOUS ECONOMIC SITUATIONS AND THAT IT NOW DEPENDS ON ECONOMY TO MAKE USE OF FACILITIES MADE AVAILABLE BY AUTHORITIES.

5. IN FIRST REACTION, OPPOSITION PEOPLE'S PARTY FLOOR LEADER KOREN EXPRESSED MISGIVINGS CONCERNING EFFECTIVENESS OF PROGRAM, WHICH IN HIS VIEW MAINLY ATTEMPTS TO MOBILIZE UNUTILIZED CREDIT RESOURCES WHICH HAVE BEEN AVAILABLE BEFORE, BUT FOR WHICH DEMAND HAS BEEN AND MAY CONTINUE TO BE WEAK. IF THE PROGRAM WOULD ACTUALLY
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INVOLVE ADDITIONAL AS 12 BILLION FOR THE INDICATED PURPOSES, RESULT WOULD BE INFLATIONARY PRESSURES DIFFICULT TO CONTROL, KOREN PREDICTED.

6. GOA'S ANNOUNCEMENT OF STIMULATIVE ACTION IN THE FIELDS OF INVESTMENT AND EXPORTS FOLLOWS DEMANDS FOR SUCH MEASURES BY BUSINESS ORGANIZATIONS (REF A). ANNOUNCED MEASURES CAME SHORTLY AFTER DOWNWARD REVISION OF AUSTRIA'S ECONOMIC GROWTH FORECASTS BY THE AUSTRIAN INSTITUTE FOR ECONOMIC RESEARCH. SEE REF B) FOR COMMENT.

EXCHANGE RATE: AS 16.60 EQUALLED US\$1.00 (JAN-MARCH 1975)BUCHANAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, ECONOMIC PROGRAMS, INVESTMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975VIENNA03171
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750131-0754
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750449/aaaabtub.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 VIENNA'S A-137, 75 VIENNA'S 3095
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUL 2003 by BalzMJ>; APPROVED <28 JAN 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOA ANNOUNCES MEASURES TO STIMULATE INVESTMENT AND EXPORTS PASS TREASURY, FRB
TAGS: EFIN, AU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006